

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

***Saugatuck Township Fire District***  
***Allegan County, Michigan***  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2005*

---

## CONTENTS

---

	<i>Page</i>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of net assets and governmental fund balance sheet	4
Statement of activities and governmental fund revenues, expenditures, and changes in fund balance	5
Notes to financial statements	6 - 10
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule - General Fund	11 - 12
Schedule of funding progress - Employee Retirement System	13
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>14</b>

## INDEPENDENT AUDITORS' REPORT

### Members of the Board Saugatuck Township Fire District

We have audited the financial statements of the Saugatuck Township Fire District as of and for the year ended June 30, 2005, as listed in the contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saugatuck Township Fire District as of June 30, 2005, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated September 7, 2005, on our consideration of the Saugatuck Township Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The required supplemental information listed in the contents is presented for additional analysis and is not a required part of the financial statements of the Saugatuck Township Fire District, but is supplementary information required by U.S. generally accepted accounting principles. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The Saugatuck Township Fire District has not presented a management's discussion and analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Siegfried Crandall P.C.*

September 7, 2005

## **BASIC FINANCIAL STATEMENTS**

**Saugatuck Township Fire District**

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2005

	<b>Operating Fund</b>		
	<b>Modified accrual basis</b>	<b>Adjustments</b>	<b>Statement of net assets</b>
<b>ASSETS</b>			
Cash	\$ 243,039	\$ -	\$ 243,039
Investments	163,049	-	163,049
Prepaid expenses	22,207	-	22,207
Capital assets, net	-	744,632	744,632
Total assets	<u>\$ 428,295</u>	<u>\$ 744,632</u>	<u>1,172,927</u>
<b>LIABILITIES</b>			
Payables	\$ 21,937	\$ -	21,937
Long-term liabilities:			
Due within one year	-	25,000	25,000
Due after one year	-	25,000	25,000
Total liabilities	<u>21,937</u>	<u>50,000</u>	<u>71,937</u>
<b>FUND EQUITY</b>			
Fund balance - unreserved, undesignated	<u>406,358</u>	<u>(406,358)</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 428,295</u>		
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt		694,632	694,632
Unrestricted		<u>406,358</u>	<u>406,358</u>
Total net assets		<u>\$ 1,100,990</u>	<u>\$ 1,100,990</u>
<b>Total fund balance - modified-accrual basis</b>			<b>\$ 406,358</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			744,632
Long-term liabilities, including contract and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(50,000)</u>
<b>Total net assets - full-accrual basis</b>			<b><u>\$ 1,100,990</u></b>

See notes to financial statements

**Saugatuck Township Fire District****STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**

Year ended June 30, 2005

	<b>Operating Fund</b>		
	<b>Modified accrual basis</b>	<b>Adjustments</b>	<b>Statement of activities</b>
<b>REVENUES</b>			
Federal grants	\$ 76,032	\$ -	\$ 76,032
Contributions from local units	475,327	-	475,327
Interest	5,864	-	5,864
Other	11,675	(6,000)	5,675
<b>Total revenues</b>	<b>568,898</b>	<b>(6,000)</b>	<b>562,898</b>
<b>EXPENDITURES/EXPENSES</b>			
Public safety	386,889	74,702	461,591
Capital outlay	111,707	(111,707)	-
Debt service:			
Principal	25,000	(25,000)	-
Interest	2,475	-	2,475
<b>Total expenditures/expenses</b>	<b>526,071</b>	<b>(62,005)</b>	<b>464,066</b>
<b>NET CHANGE IN FUND BALANCES/NET ASSETS</b>	<b>42,827</b>	<b>56,005</b>	<b>98,832</b>
<b>FUND BALANCES/NET ASSETS - BEGINNING</b>	<b>363,531</b>	<b>638,627</b>	<b>1,002,158</b>
<b>FUND BALANCES/NET ASSETS - ENDING</b>	<b>\$ 406,358</b>	<b>\$ 694,632</b>	<b>\$ 1,100,990</b>
<b>Net change in fund balances - modified-accrual basis</b>			<b>\$ 42,827</b>
Amounts reported in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$92,875) exceeded depreciation (\$53,170) and disposals (\$8,700) in the current period.			31,005
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			25,000
<b>Change in net assets - full-accrual basis</b>			<b>\$ 98,832</b>

See notes to financial statements

**Saugatuck Township Fire District**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Saugatuck Township Fire District (Fire District) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire District. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Fire District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Fire District's financial statements.

The Fire District is a joint venture of the Township of Saugatuck, the City of Saugatuck, and the Village of Douglas formed May 18, 1976, to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The modified accrual financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

*c) Assets and liabilities:*

*i) Bank deposits and investments* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*ii) Capital assets* - Capital assets, which include land, buildings, equipment, and vehicles, are defined by the Fire District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



**Saugatuck Township Fire District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Assets and liabilities* (continued):

ii) *Capital assets* (continued):

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Equipment	10 - 20 years
Vehicles	5 - 15 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. During the year ended June 30, 2005, the Fire District did not incur expenditures that were significantly in excess of the amounts appropriated.

NOTE 3 - CASH AND INVESTMENTS:

	<u>Total</u>
Deposits	\$240,539
Investments	163,049
Cash on hand	<u>2,500</u>
	<u>\$406,088</u>

a) *Deposits with financial institutions:*

Deposits are carried at cost and are maintained at various financial institutions in the name of the District. Michigan Compiled Laws, Section 129.91, authorizes the Fire District to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Fire District's deposits are in accordance with statutory authority. At June 30, 2005, the Fire District has deposits with a carrying amount of \$240,539 and a bank balance of \$248,405. Of the bank balance, \$147,331 is covered by federal depository insurance and \$101,074 is uninsured and uncollateralized.

b) *Investments:*

State statutes authorize the Fire District to invest in: a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. Not more than 50% of any fund may be invested in commercial paper. Investments consist of non-risk categorized, qualifying investment pools and are carried at cost, which approximates market. The Fire District's investments consist of holdings in a local governmental investment pool, which is a non-risk categorized, qualifying investment, that are carried at market value.

**Saugatuck Township Fire District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity of the Fire District for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 22,726	\$ -	\$ -	\$ 22,726
Capital assets being depreciated:				
Buildings	374,642	-	-	374,642
Equipment	108,234	92,875	-	201,109
Vehicles	656,016	-	(15,000)	641,016
Subtotal	<u>1,138,892</u>	<u>92,875</u>	<u>(15,000)</u>	<u>1,216,767</u>
Less accumulated depreciation for:				
Buildings	(136,301)	(8,499)	-	(144,800)
Equipment	(61,631)	(16,615)	-	(78,246)
Vehicles	(250,059)	(28,056)	6,300	(271,815)
Subtotal	<u>(447,991)</u>	<u>(53,170)</u>	<u>6,300</u>	<u>(494,861)</u>
Total capital assets being depreciated, net	<u>690,901</u>	<u>39,705</u>	<u>(8,700)</u>	<u>721,906</u>
Governmental activities capital assets, net	<u>\$ 713,627</u>	<u>\$ 39,705</u>	<u>\$ (8,700)</u>	<u>\$ 744,632</u>

**NOTE 5 - PAYABLES:**

Payables as of year end for the District are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Total</u>
General	<u>\$ 2,177</u>	<u>\$ 19,760</u>	<u>\$ 21,937</u>

**NOTE 6 - LONG-TERM LIABILITIES:**

Long-term liabilities at June 30, 2005, are comprised of the following individual issues:

Governmental activities:

    Note payable:

        \$100,000 2003 Commercial Loan with Macatawa Bank, secured by Kenworth Tanker truck (P.A. 205,99), due in annual installments of \$25,000 through January 25, 2007; interest at 3.55%.

\$ 50,000

**Saugatuck Township Fire District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 6 - LONG-TERM LIABILITIES (Continued):**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Note payable	\$ 75,000	\$ -	\$ (25,000)	\$ 50,000	\$ 25,000

Debt service requirements at June 30, 2005, were as follows:

	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2006	\$ 25,000	\$ 1,553
2007	25,000	666
	<u>\$ 50,000</u>	<u>\$ 2,219</u>

**NOTE 7 - RISK MANAGEMENT:**

The Fire District is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

**NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:**

The Fire District provides pension benefits for substantially all of its volunteer employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Fire District Board of Trustees. The Fire District is not a trustee of the plan, nor is the District responsible for investment management of plan assets. The Fire District made the required contribution of \$9,345 for the year ending June 30, 2005.

**NOTE 9 - DEFINED BENEFIT PENSION PLAN:**

*Plan description and provisions:*

The full-time employees of the Saugatuck Township Fire District participate in the Michigan Municipal Employees' Retirement System ("System"), a multi-employer public retirement system.

Employees who retire at or after age sixty with ten years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2.25% of final average compensation, with a maximum benefit of 80% of final average compensation. Final average compensation is the employee's average salary over the last five years of credited service. Benefits fully vest upon reaching ten years of service. Vested employees may retire at or after age fifty with specified years of credited service and receive reduced retirement benefits. The System also provides death and total disability benefits, and certain post-retirement adjustments to the amount of retirement benefits.

**Saugatuck Township Fire District**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):**

The Fire District is required by state statute to contribute actuarially-determined amounts necessary to pay benefits when due. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

*Annual pension cost:*

For the year ended June 30, 2005, the Fire District's annual pension cost was \$43,212, which included payments of \$27,510 toward past service costs. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) an added percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

Three-year trend information is as follows:

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/2003	\$ 47,566	100%	-
6/30/2004	49,330	100%	-
6/30/2005	43,212	100%	-

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Saugatuck Township Fire District****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Federal grants	\$ -	\$ 77,537	\$ 76,032	\$ (1,505)
Contributions from local units	477,172	477,172	475,327	(1,845)
Interest	2,000	4,200	5,864	1,664
Other:				
Sales of capital assets	-	19,521	6,500	(13,021)
Donations	2,328	5,120	5,170	50
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>5</u>	<u>(4,995)</u>
Total revenues	<u>486,500</u>	<u>588,550</u>	<u>568,898</u>	<u>(19,652)</u>
<b>EXPENDITURES</b>				
Public safety:				
Salaries and wages:				
Chief	50,500	50,500	51,425	(925)
Board and officers	12,000	12,000	12,600	(600)
Firemen and responder	76,500	70,350	64,486	5,864
Other	74,000	66,500	66,675	(175)
Payroll taxes	16,500	16,500	15,261	1,239
Telephone	9,000	7,000	7,765	(765)
Repairs and maintenance:				
Equipment	15,000	8,000	8,281	(281)
Building	3,500	5,000	4,015	985
Boat	4,000	(2,000)	(2,618)	618
Gas, oil, and supplies	21,400	21,800	18,889	2,911
Insurance	37,600	56,900	35,666	21,234
Health insurance	18,000	23,000	23,439	(439)
Retirement	59,600	59,600	53,468	6,132
Utilities	8,500	11,000	10,796	204
Rent	1,200	1,200	1,200	-
Professional services	2,000	2,000	2,000	-
Inspections	3,500	2,500	1,405	1,095
Bookkeeping	3,300	3,300	3,300	-
Education	5,000	3,000	2,496	504
Medical supplies	2,200	2,200	2,162	38
Promotions	4,000	3,500	3,305	195
Miscellaneous	<u>13,500</u>	<u>6,700</u>	<u>873</u>	<u>5,827</u>
Total public safety	<u>440,800</u>	<u>430,550</u>	<u>386,889</u>	<u>43,661</u>

**Saugatuck Township Fire District**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Capital outlay	\$ 20,000	\$ 130,000	\$ 111,707	\$ 18,293
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	<u>700</u>	<u>3,000</u>	<u>2,475</u>	<u>525</u>
Total debt service	<u>25,700</u>	<u>28,000</u>	<u>27,475</u>	<u>525</u>
Total expenditures	<u>486,500</u>	<u>588,550</u>	<u>526,071</u>	<u>62,479</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	42,827	42,827
<b>FUND BALANCES - BEGINNING</b>	<u>363,531</u>	<u>363,531</u>	<u>363,531</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 363,531</u>	<u>\$ 363,531</u>	<u>\$ 406,358</u>	<u>\$ 42,827</u>

**Saugatuck Township Fire District**  
**SCHEDULE OF FUNDING PROGRESS**  
**Employee Retirement System**  
**(Municipal Employees' Retirement System of Michigan)**

---

<i>Actuarial valuation date <u>December 31,</u></i>	<i>Actuarial value of assets <u>(a)</u></i>	<i>Actuarial accrued liability (AAL) entry age <u>(b)</u></i>	<i>Unfunded AAL (UAAL) <u>(b-a)</u></i>	<i>Funded ratio <u>(a/b)</u></i>	<i>Covered payroll <u>(c)</u></i>	<i>UAAL as a percentage of covered payroll <u>((b-a)/c)</u></i>
2000	\$ 30,527	\$ 200,685	\$ 170,158	15%	\$ 68,508	248%
2001	83,735	221,064	137,329	38%	103,262	133%
2002	136,059	245,978	109,919	55%	128,969	85%
2003	210,257	271,239	60,982	78%	132,030	46%
2004	276,014	314,922	38,908	88%	42,387	92%



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL  
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Members of the Board  
Saugatuck Township Fire District**

We have audited the financial statements of the Saugatuck Township Fire District, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Saugatuck Township Fire District's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal control over financial reporting**

In planning and performing our audit, we considered the Saugatuck Township Fire District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the federal awarding agency, and pass-through entity and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

September 7, 2005